The Pizza Times

Volume Two, Issue Two June 1982

NEW DIRECTIONS

Games Manufacturing Division Opens

The first "Chuck E. Roll" game manufactured by Pizza Time Theatre Inc. rolled down the assembly line and burst through a paper banner during the April 30th gala opening of the company's games manufacturing division.

A crowd of about 125 gathered to celebrate the launching of the new 35,000-square-foot facility at 1802 Shelton Drive in Hollister, California. Presiding over the ceremonies were Nolan Bushnell, chairman; Joe Keenan, president; and Bob Lundquist, games vice president.

Pizza Time recently acquired Pete's Woodworking Inc. of Morgan Hill, a cabinetmaking business which is now incorporated into Pizza Time's Hollister games manufacturing division. Pete Mirrione, founder of Pete's Woodworking has been named director of the new division. Currently staffed with 20 employees, the facility plans to manufacture up to 150 games a month for franchised and company-owned Pizza Time Theatres.

Mr. Keenan, in his introductory remarks, noted that in addition to building Chuck E. Rolls (target bowling games), the company will begin designing and manufacturing other non-video coin-operated games plus a new line of educational games for children ages 3 to 10. In addition, cabinets, play structures and other fixtures used in Pizza Time Theatres will be manufactured at the new Hollister plant.

Chuck E. Teams Up With C&W Advertising

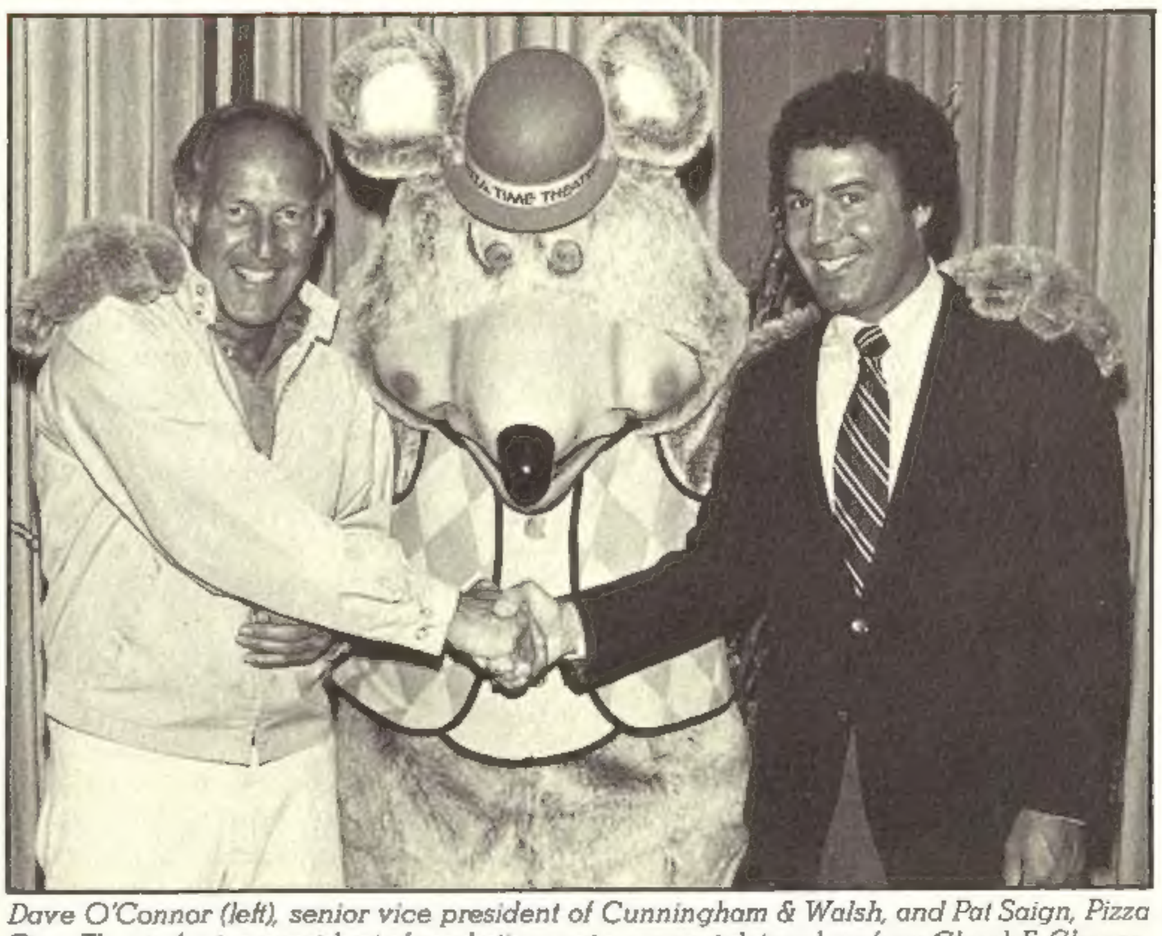
Cunningham & Walsh, one of the top-ranked ad agencies in San Francisco and nationally, has been selected to handle advertising for Pizza Time Theatre, Inc.

According to Pat Saign, marketing vice president, "C&W will be responsible for creative development and production, primarily in television advertising. After January 1, 1983, C&W will also be responsible for media buying.

After weeks of review and meetings with many agencies, C&W was selected from a group of three finalists. "We were impressed with their thorough research of our business, their understanding of our objectives, and their creative strategy," noted Saign. "They're already working on television plans for the August and September promotions, and we're looking forward to seeing some new directions in this area." The agency is also developing the 1983 advertising campaign, including new television commercials which will be previewed at the Annual Convention in October.

David O'Connor, C&W senior vice president, is the agency's management supervisor on the account with John Mercer as group creative head. Michael Riley is the account supervisor and John Diaz the account executive.

Cunningham & Walsh is a national agency with other offices in Los Angeles, New York and Chicago. Clients represented in San Francisco include Northern California Toyota Dealers Association, Qantas Airways Ltd., The Bank of California, Basic American Food Company, and Metromedia Inc.



Dave O'Connor (left), senior vice president of Cunningham & Walsh, and Pat Saign, Pizza Time Theatre's vice president of marketing, get a congratulatory hug from Chuck E. Cheese.

Food Standards and Purchasing

The following report is written by Linda Sako, director of food standards.

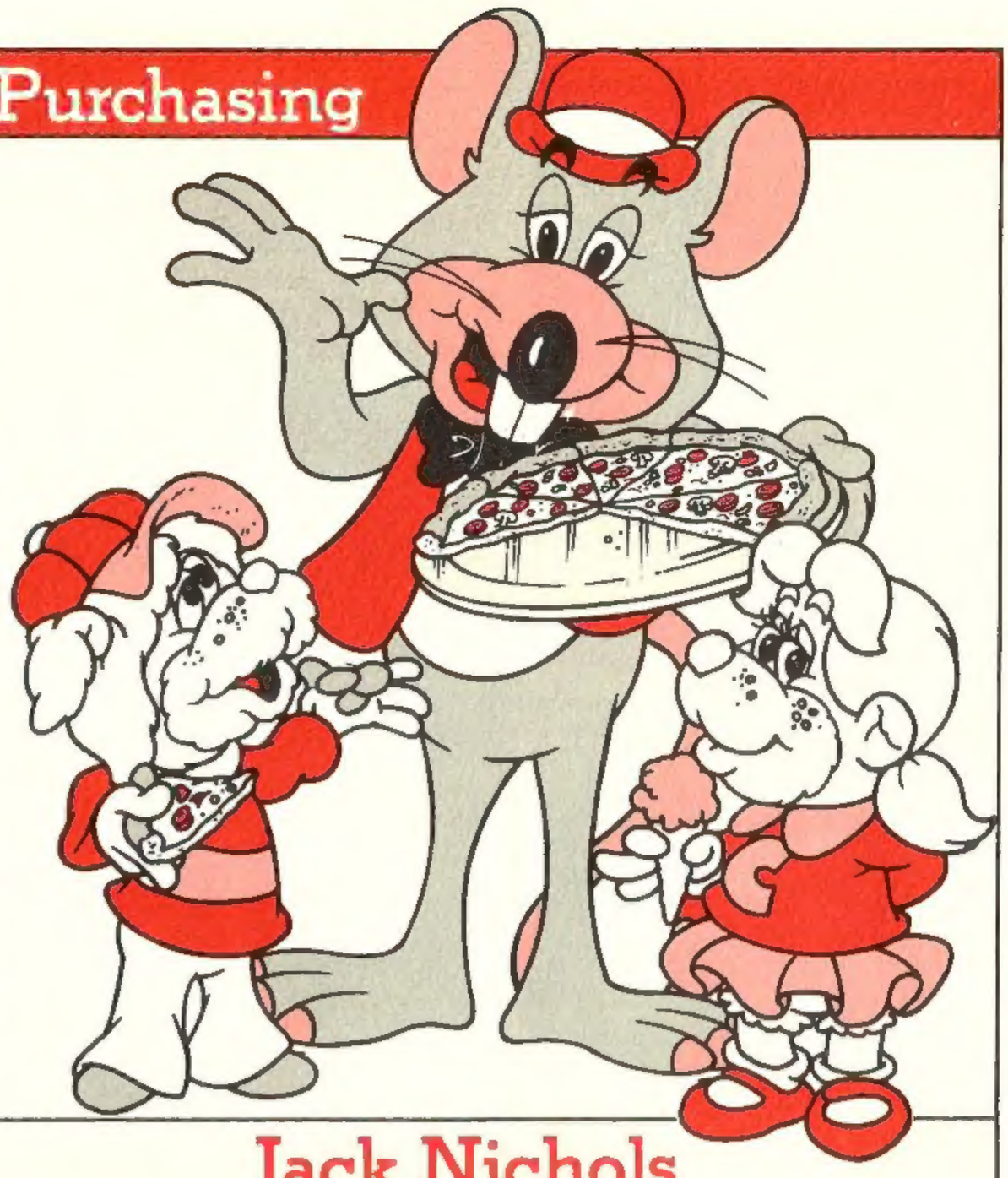
Wholesale prices in 1982 are remaining relatively stable. In order to maintain this, as well as create a degree of protection from any upcoming cost increases, the Food Standards Department is actively involved in the following areas:

- researching imported sources of major food products in the event of domestic shortages.
- increasing the number of approved brands for PTT specified products in order to utilize distributors' existing buying power.
- attaining freight-free pricing on most printed paper items, several meat products, canned goods, and condiments.
- contracting high-usage food products to maintain maximum availability and price protection.
- evaluating local sources for specified products to reduce certain freight costs.

Test Kitchen

The test kitchen plays a vital role in evaluating the performance and acceptance of products for PTT, Inc. Aside from ongoing development of new products and concepts, the test kitchen is used to upgrade existing raw products and preparation procedures. Particular attention is currently being paid to meats, salad bar condiments, salad dressings, sandwich breads, dough mixes, tomato products, pizza spices, and various preparation methods.

Some major projects currently in progress, and, in certain cases, in market tests, include a new salad bar manual, a proprietary dessert concept, Chuck E. Cheese birthday cakes, regionalized pizza products, children's drink programs, and lunch entrees. Final details will be communicated directly to company and franchise operations. More surprises will be announced at the October convention!



Expanding Markets for Company Stores

Leases have been signed which will allow the development of 60 new units in 1982, bringing the total number of company-owned stores to 108 by year's end.

Watch for new Pizza Time Theatres in Gautier, Miss., Slidell, La., and Corpus Christi, Texas—all along the Gulf coast. Other new areas include Kileen, McAllen, Victoria and Tyler in Texas; Marrero, Shalmette and Bossier in Louisiana; and LaVerne, Calif, near Los Angeles. All these should be developed by year's end.

Jack Nichols Illustrator of Chuck E. Cheese

Jack Nichols, from whose talented drawing pen flow the illustrated Pizza Time characters, has recently joined the Company full-time as in-house illustrator and cartoonist. He had worked several years for Pizza Time on a free-lance basis and during that time contributed to such noteworthy projects as the award-winning 1982 calendar and the first annual report.

As the official illustrator of Chuck E. Cheese, Nichols' responsibilities include maintaining character fidelity and developing the characters' personalities visually. "Because Chuck E. and his friends are real to me, I can visualize them doing things that are appropriate to their personalities," explains Nichols. "While the characters are constantly evolving, at the same time we must maintain a consistency in all print material," he added.

Prior to joining Pizza Time, Nichols free-lanced as a commercial artist for numerous clients. Before that he was an illustrator/designer for Marriott's Great America theme park in Santa Clara, California. Earlier in his career, he was a senior designer for Walt Disney Productions in Orlando, Florida. A graduate of the Ringling School of Art in Sarasota, Florida, Nichols has lived in California seven years and currently resides in San Jose.

Pizza Times

The Pizza Times is published on a quarterly basis by Pizza Time Theatre, Inc. The purpose of the newspaper is to inform, to motivate, to serve as a public relations tool, and, perhaps most importantly, to provide two-way communications about events affecting PTT.

If you have story ideas or news for the paper, or would like a story assignment please contact Suzie Crocker, Communications Manager, 1213 Innsbruck Drive, Sunnyvale, California (408) 744-7371.

Photos to illustrate your news are always welcome. Please send good black and white photos or very high quality color prints—polaroids are not suitable for printing.

The Pizza Times

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Summer Promotions

The Chuck E. Cheese mug promotion will run in all participating Pizza Time Theatres for six weeks beginning June 21. Designed especially for children, the yellow molded plastic mugs with Chuck silkscreened on the side will be offered free with the purchase of a pitcher of soft drinks. The mugs will also be retailed for 99¢. A four week television buy, in-store coupons distributed prior to June 21, and point-of-purchase displays will support the promotion.

Baseball Hats

To build sales in August, Chuck E. Cheese baseball hats will be offered with the purchase of a large pizza and a salad. Additional hats will also be sold for $1.98. This was our strongest promotion in 1981 and should be even more popular this year with a high quality, improved hat. In addition to a three-week television buy beginning August 2, there will be in-store coupons and posters.

Back-to-School Packs

Kids will be flocking to Pizza Time Theatres in September to get their Chuck E. Cheese back packs. The red and white canvas bags will be stuffed with Chuck E. Bucks, birthday brochures, information on the Chuck E. Cheese computer program, and a coupon for the 1983 calendar. Supported by a four-week television buy and in-store poster this back-to-school item will be offered free with the purchase of a large pizza and a salad. Additional bags will also be available for $1.98.

New Birthday Party Program

The new Chuck E. Cheese birthday party package is successfully underway in all the stores. For easier implementation, one upgraded and streamlined program has replaced the two birthday party packages offered in the past. The new package includes:

- Birthday party brochures containing all information and party price.
- Birthday party reminder cards which can be sent to Fan Club Members and other lists to encourage birthday party sign-ups.
- Birthday party invitations to be sold in packages of 12, available in the General Store.
- Birthday party display poster, a colorful permanent in-store piece explaining the birthday party program.
- Birthday party sign-up cards for a free birthday drawing.
- Birthday party wall table to serve as a display center for all birthday promotion materials.

In addition to this complete package of materials, a free birthday cake offer to parties of six or more on Monday through Friday, 11 a.m. to 4 p.m., is being implemented. The cakes will be available in most locations by mid-July. The cake offer, as well as the Monday-Thursday double tokens, is planned as an incentive to increase weekday birthday party business.

Happy Birthday Chuck E. Cheese!

May 22, 1982 was a day of festivities as Pizza Time Theatres all across the country celebrated Chuck E.'s fifth birthday.

"The Big C" cuts one of the four birthday cakes, featuring frosting pictures of all his friends, at the San Jose (Cupertino), Calif.

Donna Clark, Miss Redwood City, presented Chuck E. Cheese with the official proclaimation of "Chuck E. Cheese Day" in Redwood City, Calif.

In El Cajon, tuxedo-clad Chuck E. Cheese poses with store general manager Roger Payne (second from right) and promotional coordinator Jan Boyd (far right) as he greets party guests. Included are Guy Newman (far left) of the San Diego Soccers; Mr. and Mrs. Kenneth McClain of the El Cajon Chamber of Commerce (back row, left); Mayor John Reber; and winners of East County junior beauty pageants.

The Plantation, Fla., store was one of the many units where the managers dressed up for "The Big Event." Left to right: Wally Willion, general manager; Rhonda Kaminsky, promotional coordinator; and managers Mark Webber, John DeWitt and Jim Sager.

Chuck E. received an Eastern Onion singing telegram on his birthday in Plantation, Fla. from the mayor and chamber of commerce.

Banjo players entertain visitors at the Sacramento, Calif., Arden Way store.

Chuck E. greets young fans as he arrives by fire truck at the National City, Calif., Pizza Time Theatre. Promotional coordinator Dan Kelley won the grand prize in Southern California for his efforts in making Chuck E.'s birthday a success in his store.

Easy Perez of the San Jose Earthquakes soccer team stopped by to wish Chuck E. a happy birthday at the San Jose (Cupertino), Calif., store.

Chuck E.'s Champions-Incentive Program

The Chuck E.'s Champions incentive program is underway in all company stores. Run in conjunction with Coca-Cola, the goal is to increase sales by suggesting additional items to the customer at the time of purchase. Everyone's at work improving their suggestive selling techniques. Quarterly prizes are awarded for the bartender and cashier in each district who are the most successful in this program.

The following stores are making great strides: Winterpark, Tampa (Fowler) and Tampa (Villages) in Florida; Modesto and Lake Forest in California; Las Vegas; and San Antonio (Military) and Euless in Texas.

The Franchise Advisory Council has endorsed the program. Those franchise stores wanting to implement the program should contact their Coca-Cola representative.

Winners

CHUCK E.'s PRIDE...The Loves Park, Ill., Pizza Time Theatre franchised by Family Pizza Centers North, Inc. won the first quarter 1982 Chuck E.'s Pride Award for outstanding operations. Don Roush, Franchise Department midwest representative (back row, second from right), presented the award to store manager Scott Hartman, the management team and crew.

Chuck E.'s Challenge

Executive vice president of operations John Scott has been challenging store managers to reach mutually agreed upon sales volume figures within a specified length of time.

Presently, Scott, Jerry Kenney, director of store operations, and the regional directors will be going around presenting the awards to last quarter's winners.

New Awards for Calendar

The 1982 Chuck E. Cheese calendar continues to win impressive recognition for the Graphics Department. Recent Achievements include the Award of Excellence in Specialty Advertising from the San Francisco Advertising Club's 23rd Annual Cable Car Awards; first place, sales promotion, in the Los Angeles Advertising Women's 36th Annual Lulu Awards competition; and first place awards in both sales promotion and specialty advertising from the American Advertising Federation's Best in the West Awards.

Marci Bidlack of the Wardrobe Department uses an electric glue gun to fabricate snouts for the Beagles.

Mechanical assemblers Barry Magsanay (left) and Rich Ortiz working in the final assembly area on Cyberamics destined to become Jasper T. Jowls.

Pizza Time's Magic Workshop

Like Santa's workshop, Pizza Time Theatre's new manufacturing facility must seem like a delightful fantasy world to any child who happens to peek in. Located just a few blocks from the corporate offices in Sunnyvale, the plant produces the Pizza Time Players, cabaret characters, Cyberamics power supply units, character cosmetics, video order call-out systems, and token dispensers.

A multi-talented production crew of 70 employees works in two shifts meeting the ever-increasing need for the Pizza Time Theatre Cyberamics. Production is now close to 20 complete systems a month. A system consists of the Pizza Time Players and at least one lounge or cabaret character. Lounge characters such as "The King" can be produced at the rate of one per day.

Manufacturing is under the direction of John Impson, vice president of Cyberamics products. Ed Wartena is the manufacturing manager. Doug DeAnda supervises the day shift of 30, Tom Shaver is in charge of the 16 swing shift employees and Kathy Wolf, cosmetics supervisor, is in charge of the Wardrobe Department, where 20 employees meticulously hand-sew and assemble the costumes. Also in the Wardrobe Department is Jul Kamen, prototype specialist, who, along with Kathy, designs new attire for the characters, such as the new look coming for the Warblettes. Leads in cosmetics include Michele LaVoie in cutting and subassemblies, Jo Ellen Ervin in final assembly, and Stephanie Langley in final cosmetics and replacement parts.

Chuck E. and his friends begin life in the factory as just a base torso and shoulder plate. Head and arm assemblies are added next, followed by the solenoid board and pneumatics, and finally, the cosmetics.

Work on the printed circuit boards, used on the Cyberamics control units, and other electronic assembly work is performed by Jane Jones and her crew. The electro-mechanical group, with leads Chris Cutts on days and David Robinson on swing shift, construct the power supply units and install the control panels and tape players used to bring the Cyberamics to life.

Barry Riddle, power rack final test lead, insures that the control unit for the characters is functioning properly. He also records the store's copy of the skit tapes—which contain the music, voices and movement commands for the Cyberamics—from the master tapes produced by the Animation Department.

When a character is completed, Doug Wolf, mechanical test lead, and his crew put it through an extensive test series using the "Doctor Dux Diagnostic Tape," a special program that activates each movement on a character in sequence to be sure everything works properly. At the same time, the characters receive a "tune-up," where individual adjustments are made to insure a smooth operation.

Because the rapid growth created a squeeze on room in the manufacturing building, some assembly work is done in the nearby distribution center. New store ship-kits are assembled there by Danny Vasquez. These are the accessories that accompany Cyberamics when they're shipped out. The kits include mounting hardware, the sound system, the backdrop, the character test unit, and wall flags. Nelson Snowball, also in the distribution center, builds the flood and spotlight assemblies used to theatrically light the skits.

Despite all the different steps in getting the Pizza Time Players, the Beagles, Dolli Dimples and all the other Cyberamics to a new unit, the manufacturing crew has never missed a production deadline. "We take pride in the fact that we've never missed a store opening," says Doug DeAnda.

Franchise News

Franchise Openings

Twelve franchise units opened during May and June. ETR Inc. opened Pizza Time Theatres in Akron and Cincinnati, Ohio, in May. In June, ETR opened three more locations in Mentor and Cincinnati, Ohio and Pasadena, Texas.

Okemos, Michigan got its first taste of Pizza Time Theatre when Little Caesar Enterprises opened a unit in May. Mirada Corporation opened two Minnesota locations in Blaine and Maplewood during June. Also opening in June were Family Entertainment Centers' Springfield, Virginia, unit; HAV Enterprises' St. Peters, Missouri unit; and Little Caesar Enterprises' Southgate, Michigan, and Fort Wayne, Indiana, locations.

New Franchise District Director

The franchise district director program has been expanded by the addition of Rhobie Grogan, formerly a faculty member of Chuck E. Cheese's University. Grogan will be the midwest representative for the company with franchise owners. She joins district directors Jim Musgrove, Don Roush, Sue Schaller and Ken Wagener in the Franchise Department.

Jasper listens intently as Tim Gartner of the San Francisco Chronicle interviews Nolan Bushnell following the first annual shareholders meeting in San Jose on April 28.

First Annual Meeting Big Success

Chuck E. Cheese himself was on hand to greet the shareholders attending Pizza Time Theatre's first annual meeting on April 28 at the Tully Road center in San Jose, California.

Of the 125 shareholders at the meeting, about 12 were children, and appropriately so since 30 percent of the Company's stock held in an individual's name is owned by children.

On the meeting agenda was the election of the Board of Directors, the approval of the 1982 employee incentive stock option plan, and the approval of the 1982 nonstatutory stock option plan. The formal business was followed by a 30-minute question and answer session. Afterwards the shareholders were invited to tour the 30,000 square foot center and Chuck E. Cheese's University.

Road Review

In an effort to expand communications between the Pizza Time Theatre Marketing Department and franchise groups, Don Schulte, franchise marketing manager, has introduced the Marketing Road Review, a quarterly update designed to review the most common questions and concerns among franchises. It also provides insight about past promotions, sales trends, customer profiles and other marketing information.

In addition, informative outlines are now available on grand opening strategies, tours, incentive programs, community involvement nights, fundraisers, group sales programs, and the birthday hostess program. To obtain copies, contact Nancy Gilbaugh at the corporate office (408) 744-7300.

In other franchise news, the Fremont, Calif., and Monroeville, Pa., stores have won a special award for outstanding achievement in the celebration of Chuck E. Cheese's fifth birthday. The Fremont store had "The Big C" arrive in a helicopter.

Also, special awards are being presented to franchise stores that do an exceptional job in implementing corporate promotions.

TDLA's

Territorial Development Letters of Agreement have been signed with Roger Groh for the development of four units in Westchester County, New York, and with John Corbin for the development of two units in Yakima and the Tri-Cities, Washington.

First Quarter Earnings

Revenues for the first quarter ended March 21, 1982 were $17,199,000 compared with revenues of $5,355,000 for the first quarter of 1981. Net income advanced 1,227% to $1,659,000 ($.28 per share) from $125,000 ($.04 per share) reported in the first quarter of 1981.

Revenues from Company centers were $14,752,000 in the first quarter of 1982, a 210% increase over the comparable quarter of the prior year. Revenues from franchise operations were $2,447,000, a 307% increase over the comparable 1981 quarter.

J.F. Keenan, President of the Company, stated that "The increase in revenue from Company centers and franchises was primarily due to a greater number of centers in operation and increased average revenues per center." Net income increased primarily as a result of increased revenues and the fact that corporate operating and overhead expenses have not increased at the same rate as overall corporate revenue. In addition, results for the first quarter of 1982 included net interest income of approximately $598,000 from the temporary investment of proceeds from a November 1981 public offering. Results for the first quarter of 1982 also included a tax provision of approximately $781,000. There was no tax provision in the comparable 1981 period. Earnings per share did not increase at the same rate as net income due to a greater number of shares outstanding as a result of two public stock offerings in 1981.

As of the end of the first quarter of 1982, Pizza Time Theatre had 100 centers in operation, 50 Company centers and 50 franchised centers, as compared with 16 Company centers and 12 franchised centers at the end of the first quarter of 1981.

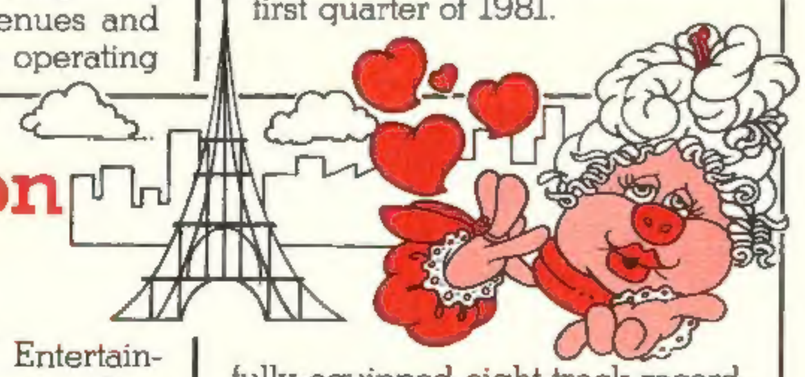
Pike Named Finance Chief

Randall L. Pike has been named senior vice president and chief financial officer of Pizza Time Theatre, Inc. According to president Joseph F. Keenan, "With his extensive background in the restaurant and food industry, Mr. Pike will make a valuable contribution to the continued success of our growing business."

Pike was formerly senior vice president and chief financial officer of Far West Services, Inc. of Irvine, California, a subsidiary of W.R. Grace. Before that he was president and chief operating officer of R-Lynn, Inc. of Omaha, Nebraska, a chain of fast food restaurants. He also served as vice president of finance of Fairmont Foods Company of Chicago. Pike, 45, has a management degree from Boston University.

Randall L. Pike

Animation News



The Animation and Entertainment Department is expanding this summer into larger facilities at corporate headquarters. The main animation studio will be remodeled to add room for special projects, while a smaller studio is being built for use as a working developmental cabaret and lounge. Also scheduled to open soon is a fully-equipped eight-track recording studio.

In other animation news, Madame Oink will be returning soon in all-new skits featuring musical visits to exotic places the world over. New birthday songs are also on the way, along with a brand new special.

Operations Outlook

by John Scott, executive vice president of operations

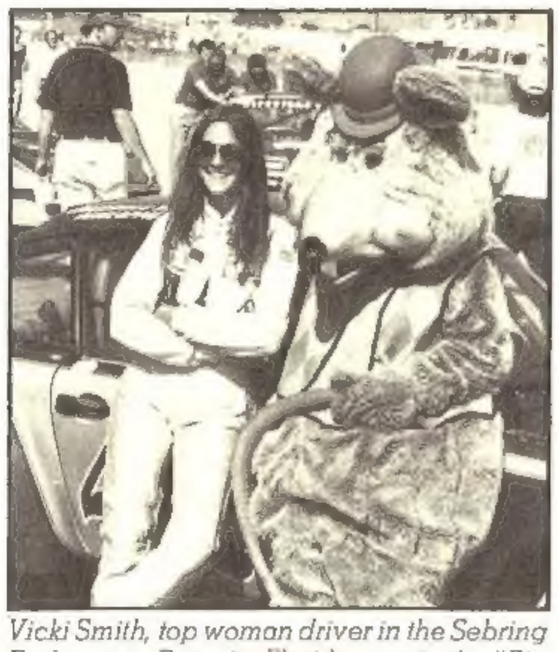
We all know that Pizza Time Theatre is a creative company with a strong concept. This is not enough. Pizza Time Theatre must also be a strong operating company, and we have the ability to be just that.

It is our goal to be the top operating company in the industry. How do we accomplish this goal? We begin by insisting on professionalism on the part of all our managers, and accountability of all our people. We look to our managers to communicate the attitudes of professionalism and accountability, and to develop, train and motivate their people. Management must provide the motivation and incentive needed to get the job done—and done well.

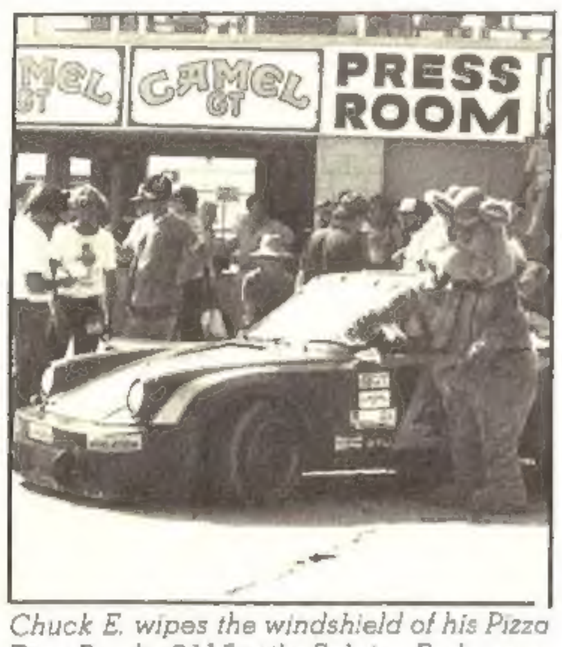
As I have stated before, we must always do the simple things exceedingly well. Our customers are the key to our future success. We must consistently provide quality food, service, cleanliness and entertainment. When every employee of Chuck E. Cheese can take obvious pride in his accomplishments and his company, we will have realized our goal.

Let's make "1982, the Year of the Store Manager" our best year ever from an operations standpoint.

Starring the Stores



Vicki Smith, top woman driver in the Sebring Endurance Race in Florida, meets the "Big C" in the pit area.



Chuck E. wipes the windshield of his Pizza Time Porche 9115 at the Sebring Endurance race. The car is owned by Ft. Myers, Florida Pizza Time Theatre manager Paul Sabin.

Chuck E. visited the bedside of seven-year-old Misty Snyder in Fort Worth Children's Hospital. The young Arlington, Texas resident had been in a coma five weeks but she responded to Chuck E.'s presence.

Eddie Johnson, Pittsburgh Penquin hockey coach, congratulates Chuck E. Cheese from the Monroeville, Pa. Pizza Time on winning "score-O" at a recent hockey game. The $300 prize was donated to Children's Hospital of Pittsburgh.

Look who is manning the signal board at the Sebring Endurance Race last month in Florida.

Pizza Time Players get their sea legs for a ferry ride to Angel Island in San Francisco Bay. The trio cheered on runners participating in the 11th annual Guardsmen charity event held on the island.

Senator Thomas Eagleton of Missouri (second from right) attended the opening of the Springfield Pizza Time Theatre, the first to open in the "show me" state.

Chuck E. "clowns around" at a parade in Richmond, Virginia.

Chuck E. visits a classroom in Upland, California.

The Tucson, Arizona Pizza Time donated discount coupon books for the local zoo's fund-raising effort to purchase Shabu, a baby elephant.

Residents of the Mt. Park Convalescent home in Beaverton, Oregon enjoyed Chuck E.'s appearance at a Heart Association benefit.

The Upland, California Pizza Time Players were a special attraction in the Ontario Centennial Celebration parade.

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